

## **Minutes of the Finance Committee**

**Wednesday, March 2, 2011**

Chair Haukohl called the meeting to order at 8:31 a.m.

**Present:** Supervisor Pat Haukohl (Chair), Bill Zaborowski, Dave Falstad, Rob Hutton, and Jim Heinrich. Hutton left the meeting at 11:51 a.m. **Absent:** Ted Rolfs and Pamela Meyer.

**Also Present:** Legislative Policy Advisor Sarah Spaeth, Human Resources Manager Jim Richter, Employee Benefits Administrator Pete Hans, Senior Buyer Karen Bollinger, Administration Director Norm Cummings, Accounting Services Manager Larry Dahl, Collections & Business Services Manager Sean Sander, Senior Collector Michelle Gallun, Senior Collector Cassie Armstrong, Risk/Purchasing Manager Laura Stauffer, Principal Risk Management Analyst Mark Jatczak, and Legislative Associate Mary Pedersen.

### **Approve Minutes of 2-16-11**

MOTION: Zaborowski moved, second by Falstad to approve the minutes of February 16. Motion carried 5-0.

### **Schedule Next Meeting Dates**

- March 16

### **Legislative Update by S. Spaeth**

Spaeth said the proposed State budget was released yesterday. Significant issues affecting Waukesha County include closing Ethan Allen, cuts in shared revenues, and eliminating funding for local recycling programs. She and County Board Chair Jim Dwyer are leaving Saturday for the National Association of Counties (NACo) Conference in Washington, D.C. to discuss potential federal cuts in airport funding, among other issues.

### **Contract Procurement Process for Temporary Clerical Help Services**

Richter advised the contract was awarded to Nissen & Associates and Manpower, the two highest rated proposers, for a total contract cost of \$120,000 for two years. The proposal is within budget and funds are budgeted by the departments that utilize this type of service. A total of six vendors submitted RFP's for consideration.

MOTION: Falstad moved, second by Zaborowski to approve the contract procurement process for temporary clerical help services. Motion carried 5-0.

### **Review County Contributions into the Wisconsin Retirement System (WRS)**

Cummings, Richter, and Dahl were present to discuss this item and copies of "WRS Employer Rates Current/Future Rates Inquiry" were distributed. Cummings said we probably have the best funded pension system in the United States. It is a defined benefits system which does really well for the employer when the stock market is high. Therefore, during the 1990's, the rate the County paid per employee was going down. However, the State Legislature decided to improve the formula. Attempts were made by the County to halt the change. The State improved it by \$5

billion which was capped and had to be for service before 2000. He noted that this did not have a huge impact on individuals. Soon after the improvement, the dot-com bust happened, the market went down, and contributions had to increase. In the early 1990's, the County used fund balance to pay towards our unfunded liability which was 1.1% of salaries. The first contribution got us down by 0.2% and in each budget thereafter, we lowered the liability by 0.2%.. The interest on this unfunded liability was assessed December 31 of each year for the prior year. Cummings said we paid during the last week of December and by 2001 we eliminated all unfunded liability in the WRS. This saved us 1.1% of salaries and we would also receive 8% credit for the prior year. In 2008 the fund lost about 25% due to the stock market and payments to the fund increased 0.6%. Payments increased again by 0.6% in 2010 and also in 2011 to make up for the loss. Cummings expects the fund will be fully recouped soon and does not expect another 0.6% for 2012.

Cummings advised there are three types of employees, each of which the County pays a different rate. The majority of County employees fall into the general category. These employees can retire after 30 years of employment at age 57 and not get penalized in the formula. In 2011, 11.6% is paid by the County per employee in the general category. A higher rate is paid for those in the elected officials category, 13.3% in 2011, most likely because tenure is based on re-election. Governor Walker's proposed Budget Repair Bill changes the formula for elected officials to mirror that of the general employees. The protective employees with social security category includes deputies, detectives, captains, etc. – all sworn law enforcement officers (does not include jailers). Richter indicated the rate paid for these employees in 2011 is 18.3% as duty disability is charged to the pension to pay for their disability pension. This cost factor is determined by an actuary. Employees in this category are able to retire at age 50 for partial pension and age 54 for full pension.

If the State's Budget Repair Bill passes as currently written, general employees will pay 5.8% of the 11.6% beginning in April 2011. Employees in the AFSCME Master Unit would start paying this in January of 2012 which is when their current contract expires. Elected officials will pay 6.6% of the 13.3% although Cummings expects a rate decrease for the elected officials in the coming years. Protective employees covered by a collective bargaining agreement are unaffected by this Bill. They would not have to pay a contribution and it would be negotiated. The deputy sheriffs and the detectives keep their bargaining rights. After a full year of additional contributions by the general employees and elected officials, the County should see an approximate savings of \$1.5 million and \$2 million. However, because of these added contributions we will lose federal revenues whereby Cummings gave examples. Cummings indicated that 25% of County employees make less than \$40,000 per year. This will have a huge financial impact on them and it cannot be taken out of paychecks on a pre-tax basis.

### **Discuss State-Hired Consultant's Plan for Investing State Pensions**

Cummings, Dahl, and Richter were present to discuss this item and copies of "Wisconsin Retirement System Investment (WRS) Strategy" were distributed. Cummings said WRS is a State sponsored pension system for most State and local government employees. In 2010, Waukesha County and its employees contributed \$8,945,895 to the plan. Total assets at the end of 2010 were \$79.1 billion. The system's investment performance and funded status typically ranks near the top for large public plans.

The Variable Fund portion of the WRS invests in equities (stocks) only while the Core Fund is a fully diversified fund with investments in a variety of sectors but significantly weighted toward

equities. The State of Wisconsin Investment Board (SWIB), who manages these investments, meets annually to review and refine its investment strategy within the general investment policies and restrictions set forth in Wis. Statutes Chapter 25. Wisconsin Act 212 of 2007 significantly increased the SWIB's authority. In January of 2010 the SWIB approved a three-year plan to adopt a risk parity strategy for the Core Fund to reduce risk while still meeting its return objective.

Cummings went on to review Core Fund asset allocation targets and core fund leverage. The 2010 target allocation represents the first step in establishing a hedge fund portfolio that would potentially hold 4.0% to 5.0% of the Core Fund's assets by 2012 and involve up to 20 external managers. Dahl explained leverage as borrowing and investing funds so you are controlling more of that asset for the same amount of money to try and increase expected returns.

Cummings went on to discuss concerns with the use of leverage and to date SWIB has allocated \$600 million to this leverage strategy. He said we believe this strategy replaces one form of risk with another. Because leverage multiplies losses as well as gains, risk increases with the ratio of leveraged investments. Counterparty risk needs to be controlled. There is risk that leveraged assets may be currently overvalued at different points in time. Fund liquidity must be carefully managed to avoid forced liquidation of assets in the event of unexpected losses. The complexity of this strategy makes the identification of unexpected risks more difficult. The SWIB is taking a gradual approach in implementing this strategy. Cummings said 4% would be okay but once it reached 20%, he would have major concerns as that is a fifth of the fund. He believes too high of a percentage is too risky and would instead prefer additional contributions. The Wisconsin Counties Association shares the same concerns. The SWIB is being pressured to keep contributions down, the reason behind this strategy. Cumming noted that staff will continue to monitor this issue.

#### **Update on Department of Administration 2010 Budget Objectives**

Cummings and staff reviewed each of the 2010 departmental budget objectives as written in the 2010 adopted budget book. No major issues or red flags were raised although some minor delays were noted.

#### **Year-End Report on Collections**

Sander reviewed his report titled "Collections Division Delinquent Collection/Referral Analysis: 2010 Year-end Report." Collections in 2010 totaled \$2,814,104 of which \$1,833,928 was retained by the County. Total twelve-month collections increased 1.5% from 2009 and 13.7% from 2008. Tax intercept collections totaled \$1,207,031 in 2010 versus \$1,158,419 in 2009. A total of 4,758 tax intercept payments were received on accounts in 2010 versus 4,691 in 2009. Additional revenue sources identified/implemented by Collections have generated \$1,220,138 of revenues for the County in 2010.

MOTION: Zaborowski moved, second by Hutton to accept the Year-end Report on Collections. Motion carried 5-0.

#### **Overview of Collections Policies/Procedures**

Sander, Armstrong, and Gallun were present to discuss this item. Sander said he could not comment on how departments bill their clients. Sander recommends departments send Collections their delinquent accounts (referrals) after 90 days. Once referrals are entered into the system, collections software generates letters in an attempt to collect the debts. If payment is made in full or

payment arrangements are agreed upon, no further letters will go out with the exception of reminder letters and confirmation letters for payment arrangements. Additional letters and phone calls will be made to clients who do not adhere to the established payment plan. To answer Falstad's question, Sander said they do not report to credit agencies, at least not at this point. Bills that are not paid may be subject to small and large claims court proceedings. Judgments can be docketed towards real estate, etc.

#### **Year-End Report on Claims and Workers Compensation**

Jatzak reviewed the report titled "Waukesha County Worker's Compensation 2006-2010 Claims History Summary." There were four less claims in 2010 than in 2009. In 2010, a total of 110 claims were opened and 57 remained open at year-end. Of those claims, one is being litigated. A total of \$621,797 was incurred by year-end. Since 2006, 600 claims have opened, 72 remained open by year-end 2010, and the total incurred was \$4,297,007. Jatzak went on to highlight some of the larger claims that opened and closed.

Stauffer distributed copies of the report titled "Waukesha County Claims History 2006-2010." Regarding general liability, a total of 20 claims opened in 2010, four remained open by year-end 2010, and the total incurred was \$4,179. Ten auto liability claims were opened, two remained open, and the total incurred was \$11,950. A total of 27 auto physical damage claims were opened, ten remained open, and the total incurred was \$66,204. Also, 27 property damage claims were opened, 21 remained open, and the total incurred was \$158,149. Stauffer went on to highlight some of the larger claims that opened and closed.

Hutton left the meeting at 11:51 a.m.

MOTION: Falstad moved, second by Zaborowski to accept the Year-end Report on Claims and Workers Compensation. Motion carried 4-0.

#### **Annual Report on Disposal of Fixed Assets**

Stauffer distributed copies of "County Property Disposal/Transfer Report 1-1-10 to 12-31-10" which included information on departments transferring property to County inventory, departments accepting property from County inventory, and property disposed/recycled/sold. Revenues from the sale of various items in 2010 totaled \$11,351.53.

MOTION: Zaborowski moved, second by Heinrich to accept the Annual Report on Disposal of Fixed Assets. Motion carried 4-0.

MOTION: Heinrich moved, second by Falstad to adjourn at 12:05 p.m. Motion carried 4-0.

Respectfully submitted,

Pamela Meyer  
Secretary